
EXECUTIVE SUMMARY

A. DEPARTMENT OF ELECTIONS AND STATE

FINDING: The state currently has two departments headed by statewide elected officials which perform election functions. The Legislative Auditor's Office found the functions of these two departments overlap. Also, the Select Council on Revenues and Expenditures in Louisiana's Future (SECURE) recommended abolishing the Department of Elections and merging all election functions into the Department of State.

OPTION 1: Merge the Department of Elections and Registration with the Department of State.

B. MUSEUMS

FINDING: The state currently operates two separate museum systems in two separate departments both headed by statewide elected officials. Both the costs and performance of these facilities varies considerably. The Legislative Auditor's Office found the functions of these systems to overlap and recommended consolidation of these programs.

OPTION 1: Consolidate the museum programs of the Secretary of State and the Department of Culture, Recreation and Tourism under one agency. This action would not take place until new terms for elected officials begin.

C. TEN-YEAR INDUSTRIAL PROPERTY TAX EXEMPTION PROGRAM

FINDING: During the course of its deliberations, the SCOFA committee heard the results of a study conducted on the ten-year industrial property tax exemption program. This study revealed that while new locations produce more jobs, investment, and pay more state and local sales taxes, the program attracts few new facilities. Other findings showed that exemptions were concentrated in certain areas and industries, and that the program does not foster the growth of high-tech industry.

OPTION 1: Ensure greater accountability of those granted exemptions especially related to job creation, length of stay in the state, and the types of projects that are funded.

OPTION 2: Evaluate the category "miscellaneous capital additions" and the feasibility of shortening the exemption period for this category, in order to maximize benefit to the state and minimize costs. Explore/investigate the possibility of restructuring the program in order to attract more new locations.

OPTION 3: Reevaluate the ten-year tax industrial property tax exemption program in light of current economic development priorities and reevaluate the necessity of granting automatic five-year extensions of the exemptions.

OPTION 4: Develop a more targeted incentive program that would focus on developing the state's high-tech industry.

D. COORDINATION OF WORKFORCE TRAINING PROGRAMS

FINDING: The committee discussed potentially overlapping functions and missions of the \$50 million Department of Labor Incumbent Worker Training Program and the \$6.5 million Department of Economic Development Workforce Development Training program. Because each program has different funding sources and targets a different population, duplication has been minimized. However, the potential for additional efficiencies through merger of program administration or functions, should be investigated, especially given the disparity in resources between the two programs.

OPTION 1: In light of a possible Department of Economic Development reorganization and continuing state budgetary problems, the state should explore possible cost savings that could be generated from consolidating the administrative and/or programmatic functions of the Workforce Development programs of the Department of Labor and the Department of Economic Development.

E. DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS CORRECTIONS SERVICES

GROWTH IN PRISON POPULATIONS

FINDING: From Fiscal Year 1994/95 through Fiscal Year 2000/2001 the prison population has grown by 50%; from 25,260 to 38,000 inmates. Expenditures over this same period increased by \$254.6 million, a 70% increase. Changes in state and federal sentencing guidelines over the past 5 years have had a tremendous impact on the growth in prison populations. This includes mandatory minimum terms, requirements that a minimum 85% of the sentence is served, and "three strikes" laws. Additionally, since many of the state's inmates are being incarcerated for longer periods and, with no chance of parole, the number of aging and chronically ill inmates is increasing.

OPTION 1: The Parole Board should review parole considerations for inmates who meet the criteria for early release under R. S. 15:574.4 and R.S. 15:574.20

FINDING: Mandated sentencing guidelines reduce judicial discretion in sentencing offenders to alternative community intervention and supervision programs which are more cost efficient and help in reducing recidivism.

OPTION 1: Review minimum mandatory sentencing guidelines to allow for increased participation in alternative programs. (Note: this would not change the enumerated crimes of violence and the 85% sentence served as required by the federal government to qualify for VOITIS funds.) A number of different programs and their estimated fiscal impact are discussed in this report.

FINDING: Correctional education programs help inmates break the cycle of criminal activity by providing the knowledge and skills necessary to succeed. Effective programs focus on helping inmates develop problem solving and decision-making skills. A new national study outlines overwhelming evidence linking prison-based education programs to dramatically reduced recidivism rates and crime prevention, finding such programs among the most effective of all crime prevention programs.

OPTION 1: Funding sources should be identified to supplement the programs that have proven successful in reducing recidivism.

FINDING: Recidivism rates for the Intensive Motivational Program for Alternative Correctional Treatment (IMPACT) program participants have been consistently lower than non-participants.

OPTION 1: Expand the provisions of R.S. 15:574.4(A) and C.Cr.P.Art.901. to allow a greater number of inmates to become eligible for IMPACT program participation.

FINDING: The Supreme Court has recently ruled that the District Attorneys are to act as gatekeeper in recommending who should participate the drug courts. The court said that there was no indication in the enabling legislation that created drug courts that anyone other than the DA was given power to propose defendants to the program. This has created conflicts across the state in terms of utilizing the drug courts as alternative sanctions to incarceration (instead of pre-trial diversion programs).

OPTION 1: Amend the law to allow for both District Attorneys and Judges to share in the authority to recommend participants to drug courts.

F. MEDICAID DRUG PROGRAM

FINDING: Drug Costs are a major reason that Medicaid payments are rising, but the state has few effective tools to deal with the rising cost or usage of prescription drugs.

OPTION 1: *Open Drug Formulary* – In order to evaluate cost savings and benefits that could be realized through prior authorization of drugs, DHH should prepare proposed policies, procedures, and fiscal impacts for its prior authorization proposal. DHH should also prepare an assessment of how prior authorization may affect clients and retail pharmacists, including any health care outcome effects.

OPTION 2: *Retail Pharmacy Reimbursement for Drugs* - The committee recognized that retail pharmacies are not the primary cause of increasing drug costs. It urges DHH not to continue reducing reimbursements to retail pharmacists.

OPTION 3: *Drug Rebates and Bulk-purchase* - DHH should pursue additional rebates in those instances where they are cost effective. If prior authorization were to receive legislative approval, DHH should provide for waiver of this requirement if manufacturers agree to additional rebates of at least 5% greater than the National Rebate Program.

OPTION 4: *Generic Drugs* - DHH should consider additional provider and Medicaid client incentives to encourage more generic drug use, including:

- Lower co-payments for generic drugs
- Better reimbursement rates for generic drugs
- Physician education about generic substitution
- Expanded electronic therapeutic authorization

OPTION 5: *Other Issues* – Require DHH to activate the various boards and committees involved in setting Medicaid drug policies and solicit their input on cost saving measures.

G. SERVICES FOR MR/DD CITIZENS

FINDING: Louisiana lags behind most other states in moving to community care for its developmentally disabled citizens. Remaining programs for disabled citizens are functionally separate from each other and are scattered among several agencies.

OPTION 1: *Eligibility and coordination of MR/DD services* - Require DHH and DSS to present formal recommendations on eligibility and coordination of services that can be implemented in the budget for FY 01-02.

OPTION 2: Reallocate resources toward community-based care. DHH should:

- Make greater efforts to move developmental center residents into the community when adequate community-based care is available.

- Develop and recommend options to consolidate state developmental center populations and to reduce physical facility and administrative costs.
- Develop and recommend cost-neutral ways to shift resources from residential care (state developmental centers and private ICF/MR group homes) to non-residential home and community-based services.

OPTION 3: DHH should develop alternatives to the MR/DD waiver that will expand access to services at a reasonable and affordable cost per person.

H. MENTAL HEALTH

FINDING: Louisiana's public mental health service mix is out of balance with the nation. It has more hospital and less community-based care than the average state. Providing a more balanced mix of public mental health services – one that better meets consumer needs, incorporates a broader range of treatment types, and is more cost effective – will likely require innovative efforts to leverage additional non-state (federal or local government or private sector) resources to enhance community-based care.

OPTION 1: Reduce the number of uninsured in the population served by the public mental health system by increasing efforts to enroll this population in the Medicaid Program.

OPTION 2: Explore the feasibility of making more community-based mental health services eligible for Medicaid reimbursement.

OPTION 3: Amend state law to produce more effective screening and treatment of the mentally ill individuals in the criminal justice system.

OPTION 4: Renegotiate LSU-OMH contracts on psychiatric acute unit operations to minimize the state funds required.

I. HEALTH CARE FOR THE UNINSURED

FINDING: Louisiana's current approach to indigent health care lacks a comprehensive understanding of the health care needs of the state, and should be redirected to achieve specific policy priorities and outcomes, such as reducing the number of people who lack health insurance coverage, increasing access to community-based and primary health care, reducing excess hospital capacity, and improving the state's low health status rankings.

OPTION 1: Expand Medicaid/LaCHIP eligibility to narrow the gap in health insurance coverage between children and adults.

OPTION 2: Increase or reallocate existing uncompensated care payments to non-state hospitals.

J. UNOBLIGATED TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT FUNDS

FINDING: Since its implementation in 1997, welfare reform has caused a significant decline in the number of recipients and the resources devoted to cash assistance. Consequently, a large balance of unused funds has accumulated. This unobligated balance, combined with the flexibility of the block grant structure, make TANF funds a significant source of revenue to support programs aimed at the needy in a time when state general funds are constrained.

OPTION 1: Require that unobligated TANF funds be spent on cash assistance before any state Maintenance of Effort (MOE) dollars or new TANF block grant funds are used for this purpose.

OPTION 2: Increase the education level of recipients, ex-recipients, and the working poor such as noncustodial parents; and provide job retention and advancement services.

OPTION 3: Help specific populations attain better paying jobs by providing post-employment and job retention services, or advanced skills training. One area of focus is incarcerated noncustodial parents nearing release.

OPTION 4: Enhancing the ability of certain poor populations to accumulate savings through the use of Individual Development Accounts.

OPTION 5: Use TANF/MOE funds to expand the Drug Court program by \$2 million in order to promote work and job preparation and reduce the incidence of out-of-wedlock births.

OPTION 6: Segregate or separate state MOE funds to provide assistance to recipients who are currently taking advantage of the “earned income disregard.”

OPTION 7: Reexamine the state policy to commingle state MOE dollars with federal TANF funds. Segregate or separate a portion of the state MOE funds in order to increase spending flexibility. Assess the needs of Louisiana’s poor populations. Investigate programs that have been developed in other states in order to identify ways to address these needs using the increased flexibility and the ability to design non-assistance programs with TANF funds.

OPTION 8: Reexamine the definition of an “eligible family” as set in the state TANF plan. Set varying levels of eligibility to increase the number of people who can be served by different TANF- and MOE-funded programs.

OPTION 9: Increase legislative oversight of TANF block grant and child care block grant spending by requiring the submission of the federal quarterly ACF-196 and ACF 696 reports and other reports to the appropriate legislative agencies, committees and their staffs.

K. DEPARTMENT OF REVENUE

Finding: Department of Revenue, due to a lack of consistent collection policies and procedures and a failure to aggressively pursue delinquent taxpayers, has failed to adequately collect taxes, penalties, and interest owed to the state. As of June 1999, a total of \$308 million in state taxes had not been collected from delinquent taxpayers. The department should take steps to become more aggressive with its current collection mechanisms and develop a consistent policy and procedure regarding collections of delinquent taxes.

OPTION 1: Enhance the Department's ability to maximize in-state collections by encouraging new policies and procedures to more effectively utilize existing departmental or state resources and personnel or by expanding the department's authority to use private collection agencies to include in-state uncollectibles.

OPTION 2: Amend R.S. 47:1580(C) to interrupt prescription if a taxpayer fails to file any state tax return.

OPTION 3: Amend R.S. 47:1580(A)(4) to provide more specific language to clarify the meaning of "false or fraudulent" return.

OPTION 4: Amend the crime of issuing worthless checks, R.S. 14:71, to clarify that the term "thing of value" includes taxes and other payments to the Department of Revenue, and expand application to include any worthless check tendered to any state agency.

OPTION 5: Apply existing sales tax cease and desist provisions to all taxes collected by a third party on behalf of the state, such as income withholding taxes and certain gasoline taxes.

OPTION 6: Conduct further research to determine the feasibility of requiring applicants for certain permits and licenses and contract bidders on goods and services to state departments and government agencies to obtain state tax clearances.

OPTION 7: Expand the Department of Revenue's authority to issue refunds of overpayments.

OPTION 8: Authorize the Department of Revenue to publish the names of delinquent taxpayers once their tax liabilities have become collectible by distraint and sale.

L. EDUCATION

CHARTER SCHOOLS

FINDING: The number and cost associated with Type 2 charter schools has continued to increase since school systems are not required to transfer local funds to a Type 2 charter school. State funds are provided in lieu of local funds for Type 2 charter schools.

OPTION 1: Require that a Type 2 charter school shall receive the local per pupil funding amount for each pupil from the local school district in which the pupil would otherwise be enrolled if he was not enrolled in a Type 2 charter school and was attending a public school.

FINDING: A Type 2 charter school may not be funded at a per pupil amount other than that specified in the charter school legislation.

OPTION 1: Authorize BESE to determine the Type 2 charter school per pupil funding amount up to but not to exceed the per pupil amount specified in the charter school legislation.

FINDING: By BESE policy, funding for Type 2 charter schools is based on the October 1 pupil count. Charter school law does not specifically authorize a second pupil count to reflect changes after October 1 in the number of pupils served in the Spring Semester.

OPTION 1: Provide for a second pupil count during the Spring Semester which would be used to determine that period's funding for Type 2 charter schools.

FINDING: A charter school which fails to open and serve pupils is required to refund all allocated money to the state or the local school district as appropriate although a major portion of the initial funding has already been spent. The charter school law is not specific if the charter school closes for any reason.

OPTION 1: Require that "all cash on hand attributed to state or local funding be returned" to the state or to the local school system rather than requiring the return of all money allocated if the charter school fails to open. Expand this requirement to a charter school that "closes for any reason."

FINDING: Charter school law states that all students no matter their age shall count for funding purposes whereas the MFP membership definition by BESE limits the student count to those in kindergarten through age 21 with certain exceptions for special education children.

OPTION 1: Provide that, for purposes of funding, the age requirements of students served in charter schools correspond with the age requirements established by BESE for MFP purposes for students served by the public school systems.

FINDING: General Educational Development (GED) students enrolled in Type 2 charter schools generate the same per pupil funding amount as do regular students enrolled in those charter schools.

OPTION 1: Authorize BESE to limit Type 2 charter school per pupil funding for students seeking a GED equivalency diploma.

M. TUITION OPPORTUNITY PROGRAM FOR STUDENTS (TOPS)

FINDING: Remedial courses required by a higher education institution and repeated/deleted courses are considered in the accumulation of college credit hours to maintain a TOPS award.

OPTION 1: Discontinue inclusion of remedial courses and repeated/deleted courses in the accumulation of college credit hours necessary to maintain a TOPS award.

FINDING: Sixty-one percent of students who forfeited TOPS awards for failure to maintain the minimum college GPA or full-time enrollment had ACT Composite Test Scores ranging between 19 and 22.

OPTION 1: Improving the number of students capable of maintaining a TOPS award should be a top priority to be discussed in conjunction with the development of the community college system. As Louisiana strives to provide increased opportunities to attend community colleges in all regions of the state, eligibility criteria for TOPS could be reviewed. For example, ACT scores between 20 and 22 could become a standard eligibility requirement for TOPS awards to be used at community colleges and then transferable to a four-year institution upon successful completion of the community college program. ACT scores of 23 and above could become a standard eligibility requirement for a TOPS award to be used at a four-year institution. Such a policy of using ACT scores to distinguish entry levels for college is, of course, dependent on providing more opportunities for students to attend community colleges and, perhaps even then, only in extreme fiscal circumstances.

FINDING: Seven high schools (four public and three private) voluntarily reported that not all TOPS required courses are being offered this academic year.

OPTION 1: Extend the waiver of the TOPS required courses or offer courses through programs such as the Virtual High School program sponsored by the state Department of Education, distance learning programs and courses offered through correspondence.

FINDING: General Educational Development (GED) students seeking an equivalency diploma are not eligible for a TOPS award.

OPTION 1: Provide standard eligibility requirements for students with a GED equivalency diploma to qualify for TOPS. The requirements could be at the level required for high school graduates, with exceptions for GPA and core curriculum. Or an alternate requirement could be used of an ACT score at least three points higher than the minimum ACT as is done currently for home study and students graduating from an approved out-of-state high school.

N. MINIMUM FOUNDATION PROGRAM

FINDING: The Louisiana 1999-00 average classroom teacher salary was \$33,109 which placed the state 14th in National Education Association data for the SREB states which demonstrates that teacher pay needs to be a greater priority within the resources of the MFP.

OPTION 1: Require that new funds appropriated in the MFP be used to increase classroom teacher pay.

FINDING: School systems will have a reduction in retirement costs in 2001-02.

OPTION 1: Request that BESE provide for an adjustment in state MFP funds for 2001-02 as a result of the decrease in employer contribution costs in Teachers' Retirement and the use of a credit in School Employees' Retirement.

O. COLLECTIONS/RECEIVABLES

FINDING: Due to a lack of comprehensive collections and receivables policies, the state is failing to collect revenues owed in fees, fines, penalties and state taxes. As of September 2000, approximately \$776 million was reported as outstanding receivables and of that amount \$361million is estimated to be uncollectible.

OPTION 1: Create a computerized database, which could be used by all state agencies to house information on individuals and businesses that write NSF checks.

OPTION 2: Establish a comprehensive receivable and collection policy and procedure which would include the requirement that all state agencies use the receivable and collections procedures. The policy would also include a separate policy directive relative to NSF checks.

OPTION 3: Establish a central collection function within the Division of Administration or other state agency and further require participation by all state agencies.

OPTION 4: Amend R.S. 47:299.2 to allow for all agencies to use offset of income tax refunds for receivables.

OPTION 5: Revise the law to allow for local retailers and others to collect outstanding receivables on behalf of the Department of Wildlife and Fisheries.

P. REVIEW OF SPECIAL TREASURY FUNDS

FINDING: There are more than 300 special funds in the state treasury which are currently authorized by statute and constitution. \$2 billion of the state budget is funded through dedicated revenues. These dedications restrict the flexibility of the governor and legislature in addressing revenue shortfalls and budget problems. The committee conducted three hearings to review these funds on a departmental basis with respect to functionality and activity and developed the following options associated with this issue.

OPTION 1: Repeal inactive special treasury funds.

OPTION 2: The Classroom-Based Technology Fund and Teacher Supplies Fund should be modified to allow use of remaining balances for other purposes which are more appropriate for the amount of available money in the funds, or should be repealed and balances used for a related or other purpose. The balances in these funds are insufficient to allow effective distribution for the required uses of the monies.

OPTION 3: Abolish the Louisiana Charter School Start-Up Loan Fund or transfer a portion of its balance to the State General Fund.

OPTION 4: Revise the Telecommunications for the Deaf Fund to expand the allowable uses for these monies, since the fund balance is much larger than is necessary to satisfy the current purposes of the fund.

OPTION 5: Repeal the Louisiana Employment Opportunity Loan Fund since the fund is no longer used and currently holds a lingering balance of approximately \$500,000.

OPTION 6: Repeal the Administrative Fund (Department of Insurance) unless the fees on health insurance providers which provide the source of monies in this fund are increased to a level which makes retention and usage of this fund practical. The Department of Insurance may seek to have legislation introduced this session to increase such fees.

OPTION 7: Repeal the Louisiana Tax Commission Expense Fund, the Refund Offset Fund, and the Louisiana Consumer Credit Education, and budget these monies as self-generated revenues rather than as dedicated revenues.

OPTION 8: Repeal the Vocational Technical Enterprise Fund, and budget these monies as self-generated revenues rather than as dedicated revenues.

OPTION 9: The Fraud Detection Fund, the Louisiana Blind Vendor's Trust Fund, and the Traumatic Head and Spinal Cord Injury Trust Fund have all accumulated rather large balances due to budgetary restriction on the expenditure of these monies. Either expenditure authority in the budget should be increased to allow for use of these funds pursuant to current fund mandates, or the funds should be revised to expand the purposes for which appropriations from the funds may be made. In the case of the Fraud Detection Fund, such monies could also be converted to self-generated revenues for the Department of Social Services.

OPTION 10: The Mineral Audit and Collection Fund should be combined with the Legal Support Fund since both funds are used by the Department of Natural Resources and relate to the audit and collection functions.

OPTION 11: The Volunteer Firefighters Insurance Premium Fund could be eliminated and the funding for the premiums it supports could be allocated and distributed from the 2% Fire Insurance Premium Fund.

OPTION 12: Repeal the Drug Treatment Fund since the source of revenues for the fund is negligible, and the fund is unnecessary for the provision of the services supported by it. These monies could be budgeted through the state general fund.

Q. STATE GOVERNMENT – LOCAL GOVERNMENT FISCAL RESPONSIBILITIES

FINDING: In Louisiana there is no clear delineation of fiscal responsibilities between state and local government. State spending on local functions totals more than \$2.5 billion annually which consumes nearly 28% of the state's own source revenues. The largest portions of this spending are for funding local elementary and secondary education, funding portions of the monthly salaries of parish and municipal law enforcement and fire protection officers, parish and municipal judges, constables, and justices of the peace, and funding of revenue sharing, parish road funds, and mass transit. Such huge transfer funding by the state of traditionally local functions presents problems of accountability, engenders questions about the adequacy of the state and local government revenue bases, and creates barriers to efficient delivery of services at both the state and the local level.

OPTION 1: Before the state can evaluate an appropriate revenue base to meet its needs, it must first begin a process of sorting out the fiscal responsibilities between the state and its local governments to determine: 1) what services should be provided by government; 2) which level of government should finance each of those services; and 3) which level of government should deliver those services. This process should be undertaken either through an existing entity, such as the Louisiana Advisory Commission on Intergovernmental Relations, or through a special committee or task force created specifically for this purpose.

R. USE OF STATE RIGHT-OF-WAY FOR FIBER OPTIC CABLE

FINDING: OTD has issued permits for installation of fiber optic cable on interstate right-of-way for a one-time fee of \$5,000 per mile. This fee will be offset by an in-kind payment in the form of permanent access for DOTD to fiber optic communications when cable is installed.

OPTION 1: A statewide policy should be designed to insure maximum return to the state for access to state right-of-way for installation of fiber optic cable, including appropriate access by all state agencies to available fiber optic communications. This policy should incorporate the strategic technology initiatives contained in Vision 2020.